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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC #01081-85
5 March 1985

MEMORANDUM FOR: Distribution

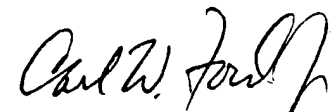
FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: East Asia Warning and Forecast Meeting

1. Representatives of the Intelligence Community met on 20 February 1985 to consider the attached subjects.

2. Next month's Warning and Forecast Meeting will be held on 20 March 1985 at 1400 hours in Room 7E62, CIA Headquarters. Recommendations for discussions/warning topics will be forwarded to the NIO/East Asia by COB 11 March 1985. Attendees from outside agencies are advised to arrive early to avoid parking problems created by construction work. For your convenience, please enter the compound through Gate 1, the Route 123 Entrance. Please phone attendance intentions to [redacted] and have your clearances verified to us by your security office by COB 13 March 1985.

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Carl W. Ford, Jr.

Attachment:
20 February 1985 Warning Report

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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC #01081-85
5 March 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: East Asia Warning and Forecast Meeting:
20 February 1985 East Asia Warning and Forecast
Meeting

1. The NIO opened the meeting with an overview of the US-Japan trade follow-up process, including how the US effort was organized, the format for the talks and some of the known problems facing the US side. He noted that US trade negotiators did not fully appreciate the Intelligence Community's capabilities to support their efforts. Accordingly, the warning meeting would focus exclusively on the follow-up talks providing US negotiators a list of likely problem areas, expected Japanese counter arguments to US initiatives and a forecast of outcomes in the various sectors.

2. [] OEA, CIA's designated MOSS (Market Opening Sector Specific) support coordinator, briefed on the prospects for success of the sector specific approach.

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3. Of the four sectors, Electronics, Telecommunications, Forest Products and, Medical Pharmaceuticals, only the first two are likely to be productive. There is a growing feeling in Japan that US pressure on trade issues should be resisted. This feeling stems from the belief that Japan has already yielded enough and the US now must try harder and keep its budget deficit under control. Also, the LDP feels that unless the trend toward a high yen-dollar value and high interest rates are reversed Japan will continue to face trade-related pressures about which they can do little.

4. The sector specific approach follows the same track used last year in the yen-dollar talks. As in those talks, technical

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issues probably will be resolved, however, significant improvement in market access is unlikely because tradeoffs and options are fewer. The main area of disagreement between US and Japanese negotiators concerns how the objectives of the talks are formulated. The US sees the amount of trade as the key measure while Japan focuses more on technical issues and procedures. Also, sincerity is seen as an issue by both sides.

FORECAST:

The MOSS talks will achieve some progress on technical aspects of all sectors but little change in trade levels will result. Such progress as is achieved will reflect Japan's fear of US retaliation (surcharge, etc.) rather than domestic consideration or trade benefits. Japan will act to give the talks the appearance of success because it values the relationship with the US. The yen-dollar issue will be cited regularly by Japan as underlying the trade deficit and this in turn will be linked to the US budget deficit. Technical issues resolved during MOSS talks will tend to benefit LDCs and NICs as much as the US. Domestic (Japanese) pressure for market opening will help achieve progress in MOSS talks. This reflects Japanese business desires for a more open market which will benefit them more than the US.

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Electronics and Telecommunications:

To date, the most significant aspect of negotiations concerning these sectors is the substantial size of Tokyo's effort. Tokyo recognizes that these sectors are critical and most likely to trigger US retaliation. Also, these sectors are most financially important. This does not mean, however, that progress is assured. The so-called success of last year's "High Tech talks" still have not produced the expected improvement in market access. Another problem area remaining from last year's talks is the question of US manufacturer representation on Japanese certification boards. Likewise, NTT privatization thus far has not helped US firms because it was designed so that it would not endanger the domestic market. Registration, standards, and notification procedure problems continue to delay access by US firms to this potentially lucrative market.

FORECAST:

Because Tokyo sees electronics and telecommunications as showcase sectors, they hold the greatest prospect for technical progress. The prospects for significantly increasing dollar sales, however, are limited. The following specific US gains may occur: The

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certification board may get foreign membership; Purchase of US satellites by C. Itoh and SONY may occur; VAT rules may be liberalized; and Joint venture firms may achieve easier market access.

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[REDACTED]

Forest Products

The concerned Ministries are opposed to concessions in this sector, especially so soon after last year's citrus and beef quota increases. There is public support for this hard line and many key LDP leaders (such as Nakaido, Kanemaru, and Nakasone) have electoral constituencies that will restrict their freedom of maneuver.

FORECAST:

There is little chance of any tariff reduction on Forest Products. South East Asian plywood shippers will complain if only the US receives a tariff reduction, and across-the-board reductions will aid them more than US lumber interests. During the sectoral talks Japanese negotiators will cite as reasons for their hard line: the decline in wood housing in Japan, the recession in Japanese lumber industry and the high US tariff on wood products. The overall prospects for this sector are poor.

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Medical and Pharmaceuticals

Japan cites public safety as the reason behind the cumbersome regulations protecting this sector. It has been, and remains difficult for foreign firms even to get direct access to bureaucrats controlling these areas. Also, US test results now must be reverified by Japan, delaying market access. Achieving agreement on simplification of standards and certification procedures will consume much of our negotiators efforts.

FORECAST:

Progress in pharmaceuticals will be negligible. Shin Kanemaru, Secretary General of the LDP, favors strong protection of this field and Nakasone appears to back him. The prospects for progress on medical equipment are somewhat better. Given the size of this market, however, lower tariffs will have negligible effect on the trade imbalance. Any concessions by GOJ on this sector will come very slowly to assure domestic firms the ability to remain competitive in the international market--which they are now trying to develop.

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Carl W. Ford, Jr.

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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC #00780-85
12 February 1985

MEMORANDUM FOR: Distribution

FROM: Carl W. Ford, Jr.
National Intelligence Officer for East Asia

SUBJECT: Proposed Agenda for the 20 February 1985 East Asia
Warning and Forecast Meeting

1. The monthly Warning and Forecast Meeting is scheduled for Wednesday, 20 February 1985, at 1400 hours in Room 7E62, CIA Headquarters.

2. Participants should be prepared to discuss the following topics.

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3. This warning meeting will focus on the US-Japan trade follow-up talks and Intelligence Community support for the talks.

1400-1410 Opening Remarks NIO/EA

1410-1415 Intelligence Overview - The
Milieu for the Talks (Political
Dynamics and Climate),

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1415-1425 Discussion

1425-1450 Sector Specific Presentation

1425-1430 Electronics and
Telecommunications

1430-1440 Discussion

1440-1445 Forest Products, Medical
and Pharmaceuticals

1445-1450 Discussion

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1450-1455 Question/Issues raised by the attendees

1455-1500 Closing remarks and
production schedule review NIO/EA

3. Please phone your attendance intentions to [redacted]
[redacted] and have your clearances verified to us by your security
office by COB 15 February 1985. Because seating in 7E62 is limited,
timely arrival is suggested. Visitor parking is at a premium and
participants are encouraged to use the shuttle buses or carpool to the
meeting.

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Carl W. Ford, Jr.

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